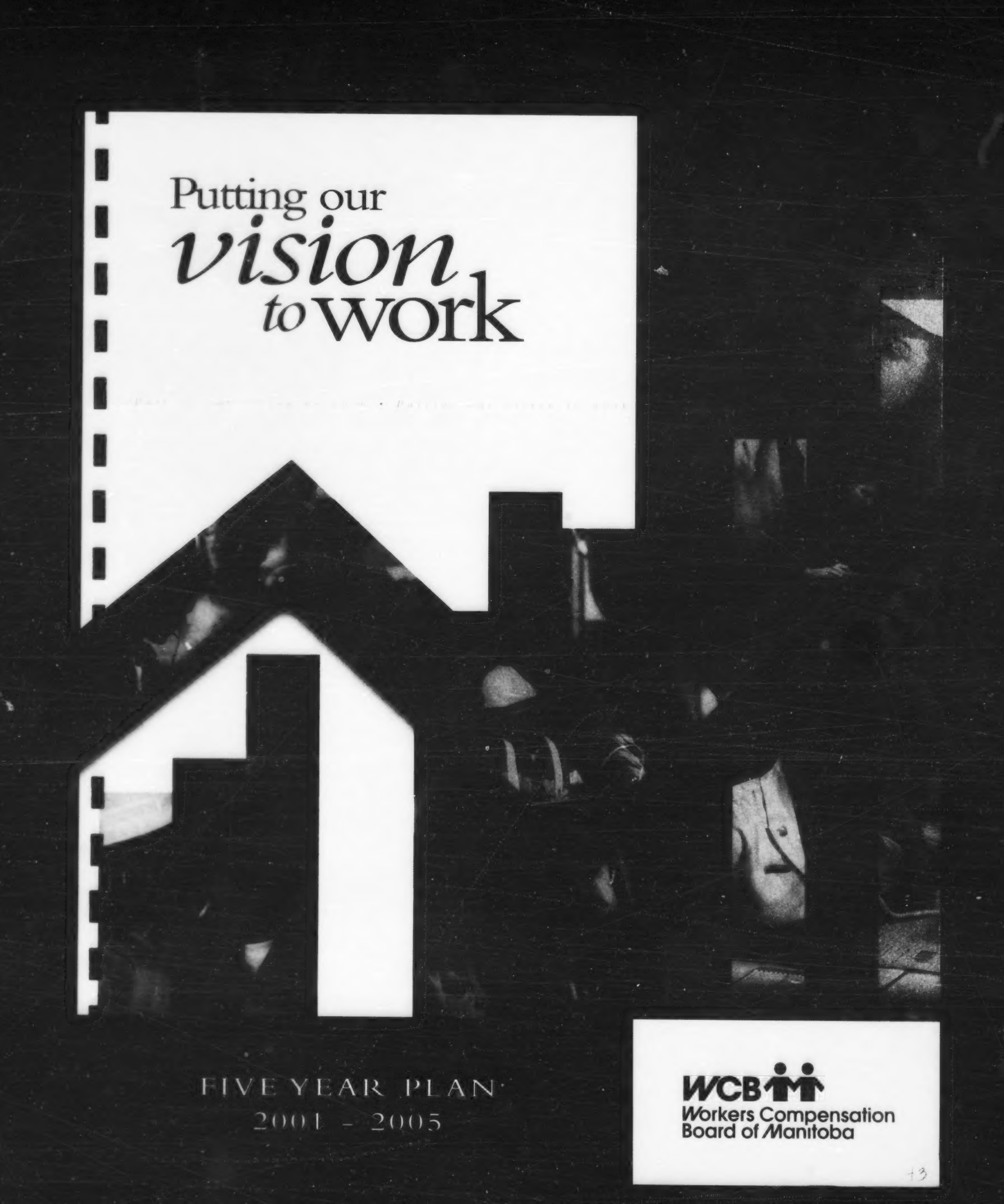
Putting our *vision* to work



FIVE YEAR PLAN
2001 - 2005

WCB
Workers Compensation
Board of Manitoba

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WORKERS COMPENSATION BOARD OF MANITOBA

FIVE YEAR PLAN

2001 — 2005

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Workers Compensation Board of Manitoba
Five Year Plan

Executive Summary

The Workers Compensation Board has played an important role in Manitoba for most of the last century. As we enter an era of increasing global competition, new industries and amazing advancements in technology, the board still has an important role to play. Even today, one in nine workers are injured annually on the job. That is why the Workers Compensation Board must remain viable and effective.

The board must continue to look to areas of change, innovation and improvement to ensure its programs and its activities are relevant to our time, the province and its stakeholders. One of the ways the board has been so successful in maintaining its role in the province is through its ability to change and ensure its relevance to its stakeholders, while maintaining the basic principles which have endured for more than 80 years.

It is the WCB's mandate to protect workers and employers. The board takes that mandate seriously and it acts on that responsibility in several ways.

When it comes to the responsibility of protecting **workers**, the board has improved both the delivery of service and the rehabilitation services. A unit that provides crisis intervention and manages claims that require specialized services, a 24 hour crisis line and a transitional program that assists claimants who are experiencing difficulties with their change in circumstances have been added to assist injured workers. More claims are being adjudicated quicker. The proportion of time loss claims adjudicated within five days has risen from a low of 18% in 1994 to 32% in 2000.

To protect **employers**, the board ensures its programs are cost effective and its rates are fairly allocated. It maximizes the return on investments because every dollar gained through investment is one less dollar that must come from employers. Manitoba's average rate is among the lowest in Canada. The WCB also examines its employer services on a regular basis – for example, it has instituted an Employer Services Information System, and improved the system for filing payroll information.

The Workers Compensation Board of Manitoba is primarily a provider of workplace compensation insurance to Manitoba workers and employers. However, the WCB has recently seen trends towards increasing injury rates, growing medical aid and other claims costs, longer average duration in claims and continued client demand for improved services. Understanding these trends, the board instituted significant changes in its policies, directions and practices which began a new path towards minimizing the risk and impact of workplace injuries and illness, and building the organization's capacity to meet the future needs of Manitoba's workplaces.

Our Vision - Working with our partners to build a safer and healthier Manitoba

The WCB continues to move toward its goals of becoming a more proactive partner in improving the health and safety of Manitoba workers while lessening the impact of workplace accidents and illnesses.

The WCB recently reorganized its lines of claim service along industry sectors to better understand its clients and workplaces. A new claims management model was implemented at the same time. This ensured a streamlining of the process and advanced involvement in the claims process, resulting in earlier rehabilitation and continuity through WCB involvement in the claims.

The WCB developed a new assessment rate model so employers have greater incentives to implement safety and risk management activities.

Thirteen policy areas were amended to ensure WCB services and benefits improved fairness and lessened the negative impact of the injury on the worker.

The WCB also began to reengineer its claims reporting processes and has seen dramatic improvements in the timelines of reporting from medical practitioners.

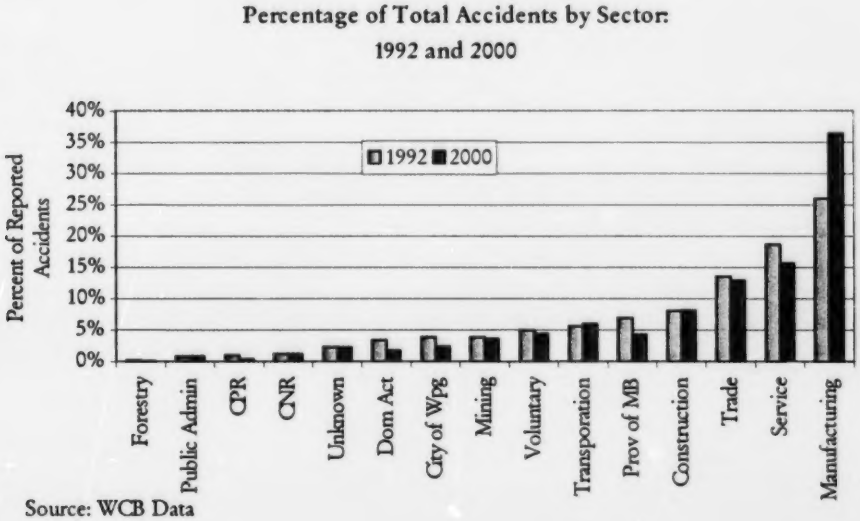
The Current Environment

Nothing illustrates and reinforces the relevance of the Workers Compensation Board in Manitoba more clearly than a snapshot examination of its activities and trends and a comparison with the experience of other jurisdictions. This analysis allows the WCB to assess its effectiveness in fulfilling its mandate and also helps to point to areas where resources need to be focussed to accomplish its goals. It also helps the WCB look into the future to determine the challenges that might lie ahead.

WCB Injury and Claims Trends

Despite changes in technology and workplace safety and health practice overall, Manitoba workers continue to be injured on the job. Reported accidents reached an all time high in 1986 and dropped to the lowest level in 22 years in 1993. The number of reported accidents has been increasing since then.

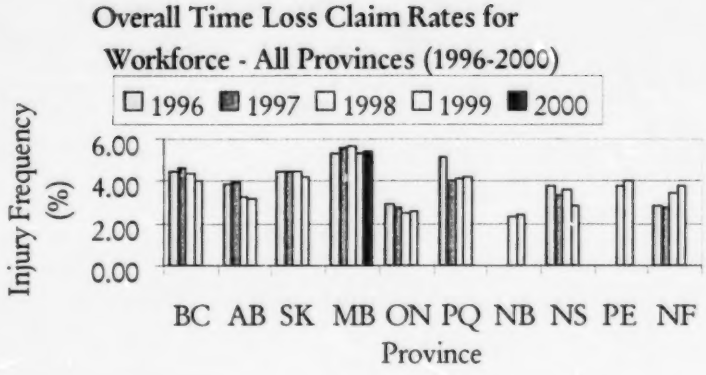
Based on expected employment growth, the number of reported accidents is projected to increase by 6.67% over the next 5 years.



Source: WCB Data

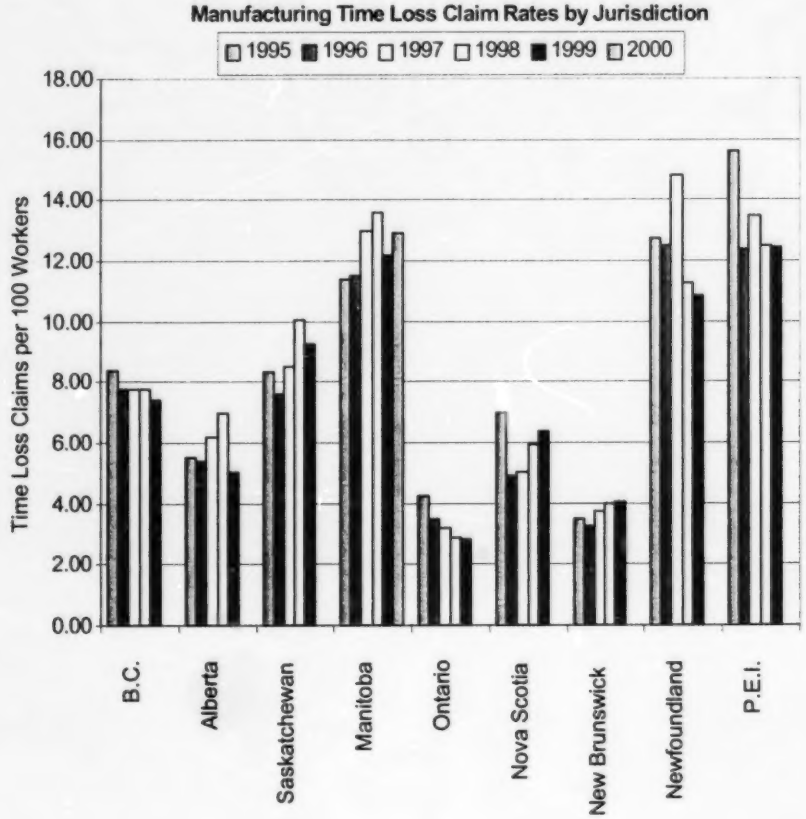
The manufacturing sector was responsible for the largest proportion of reported accidents experienced from 1992 to 2000, while the service sector recorded the largest drop. Most self-insuring employers also experienced a decrease in reported accidents during this period.

Manitoba's overall time loss claim rate for the WCB-covered workforce has been the highest in Canada. Because the overall time loss claim rate speaks to the claims and financial risk faced by the compensation boards, WCBs across Canada use it as an indicator for risk.



Caution should be exercised when using this rate to compare the safety of workplaces across the country because the rate is influenced by the differences in the way the workforce in other provinces are covered. The overall time loss claim rate is based on the covered workforce. Jurisdictions covering a higher proportion of lower risk industries will have lower overall time loss claim rates. Manitoba's higher time loss claims rate reflects Manitoba's lower proportion of workforce covered and higher proportion of the higher risk industries than many other jurisdictions.

That being said, though, one accident is too many and Manitoba's willingness to embrace safety must be encouraged.



When time loss claim rates for similar industry sectors and sub-sectors were compared across jurisdictions, Manitoba has among some of the highest rates in the country. For example, Manitoba has a very high time loss claim rate within the manufacturing industry compared to other jurisdictions and this rate has been increasing.

The manufacturing sector accounts for approximately 17% of the covered workforce in Manitoba but, due to the very high time loss claim rate within that sector, is responsible for nearly 40% Manitoba's time loss claims.

The higher rates in Manitoba compared to most jurisdictions are an indication that improvements in injury prevention can be made and that prevention activities should become a high priority for Manitoba workplaces.

1999 Time Loss Claims per 100 Workers, by Jurisdiction

Sector	BC	AB	SK	MB.	ON	QC	NS	NB	NF	PEI
Meat, Poultry, Fish Packing	14.01	12.93	24.51	20.95	4.92	n/a	7.13	4.23	14.32	17.60
Manufacturing of Vehicles	n/a	n/a	n/a	30.55	5.34	n/a	8.58	2.45	16.83	n/a
Manufacturing of Clothing	2.36	3.40	n/a	5.79	1.43	7.01	6.81	2.54	n/a	n/a
Building Construction	9.63	5.75	10.66	12.80	4.44	10.07	4.70	3.31	6.11	11.85
RoadWork Construction	4.73	2.78	5.30	4.96	2.38	n/a	4.68	2.46	5.50	n/a
Trucking, including couriers	10.57	7.15	9.14	11.66	5.68	9.14	10.01	2.93	4.50	6.26
Hotels, Motels, & Restaurants	2.62	1.93	4.22	2.34	2.75	6.22	2.21	1.80	4.33	4.98
Grocery Stores	2.64	3.65	4.05	4.16	1.32	n/a	2.33	1.93	7.54	2.47
Health Services	7.90	4.46	6.43	5.7	2.38	3.83	3.42	2.44	7.49	6.79

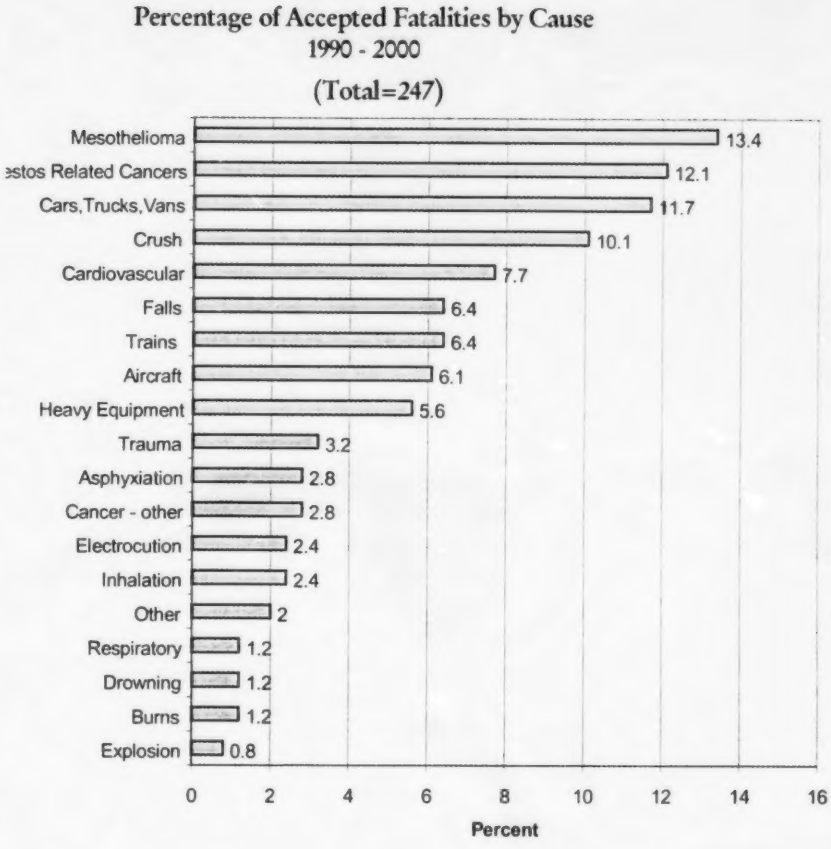
Source: Compiled by Manitoba WCB. Provincial WCB Data

Fatalities

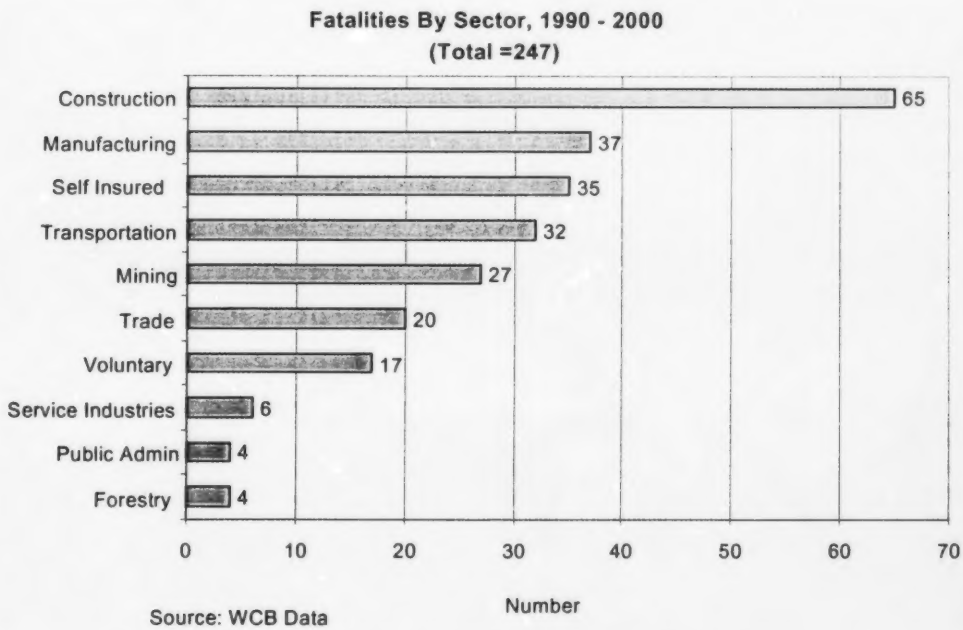
Fatalities are another way to assess high-risk areas. Accepted fatalities fluctuate annually but remain high, with 20 to 30 each year. Over the last 11 years, there have been a total of 247 accepted fatalities.

Accepted fatalities include both traumatic and long latency deaths. For example, occupational diseases account for 28% of accepted fatalities, however in these cases, the exposure to the harmful substances occurred 20 –30 years earlier.

Transportation-related accidents (motor vehicles, aircraft and trains) account for the next largest proportion (24%) of accepted occupational fatalities.



Construction has the highest number of fatalities with 26%, followed by manufacturing (15%) and self-insured (14.2%) sectors.

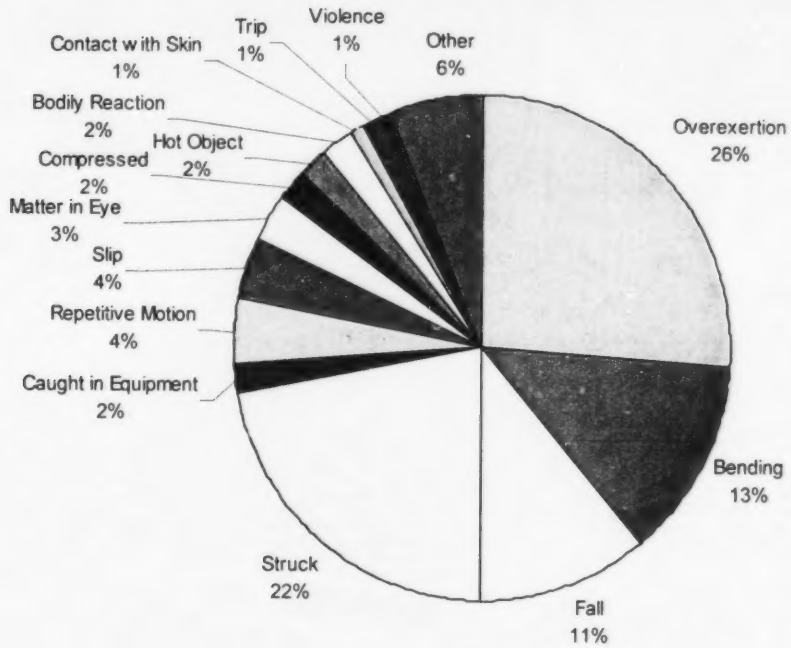


Source: WCB Data

Causes of accidents

Nearly half of all injuries are due to poor ergonomic conditions, such as working in awkward or static positions, continuously lifting heavy loads, or using repetitive forceful movements. The causes of most accidents are due to events that have known prevention methods. As such, most WCB claims can be prevented.

Top 15 Causes of Time Loss Accidents in 2000



Injury Prevention

The prevention of an injury has obvious benefits to workers, their families and the employers. Every time loss injury prevented saves an average of $7,500 in WCB costs. The benefit to business is even greater. It has been estimated that for every dollar of compensation costs, another one to seven dollars are lost by the employer due to work disruption, equipment damage and retraining of the replacement worker. In addition, the pain and disruption to the injured worker's life can not be measured in dollars.

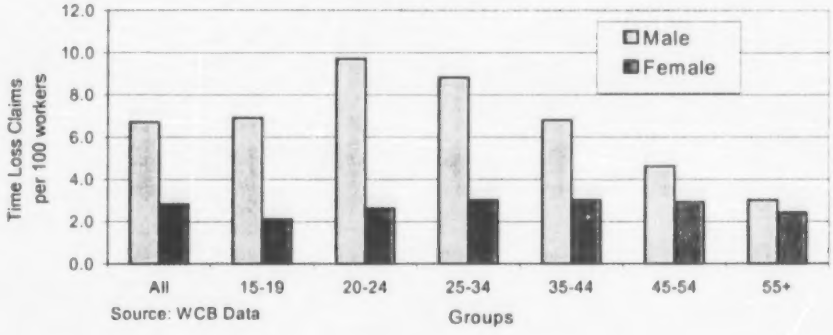
Effective prevention requires a safety mindset, adequate resources and focused prevention efforts. Most employers believe they can make a difference in safety at the workplace.

Injury risk profile
The higher time loss claim rates in Manitoba indicate improvements should be made and prevention activities should become a higher priority. Analysis of WCB claims data provides valuable information for identifying problem areas and possible corrective measures. Injury profiles help to identify high-risk activities, sectors and firms, and may assist prevention efforts.

A small number of firms are responsible for most claims
The majority of claims are reported by a small number of firms. Of the 23,400 registered firms with WCB, 59 are responsible for nearly 40% of claims and claims cost. Focusing prevention efforts on these firms will have the greatest strategic impact and help ensure resources are used effectively.

Young male workers are at greatest risk for injuries
Younger male workers often experience the highest time loss claim rates, largely because they tend not to have the skills or the appreciation of work-related risk factors of the more experienced workers. Female time loss claim rates, on the other hand, have a different age profile from males. While women's time loss claim are always lower than men's, women's time loss claim rates increase slightly with increasing age.

Time Loss Claim Rates By Age and Gender
(1995 - 1999)



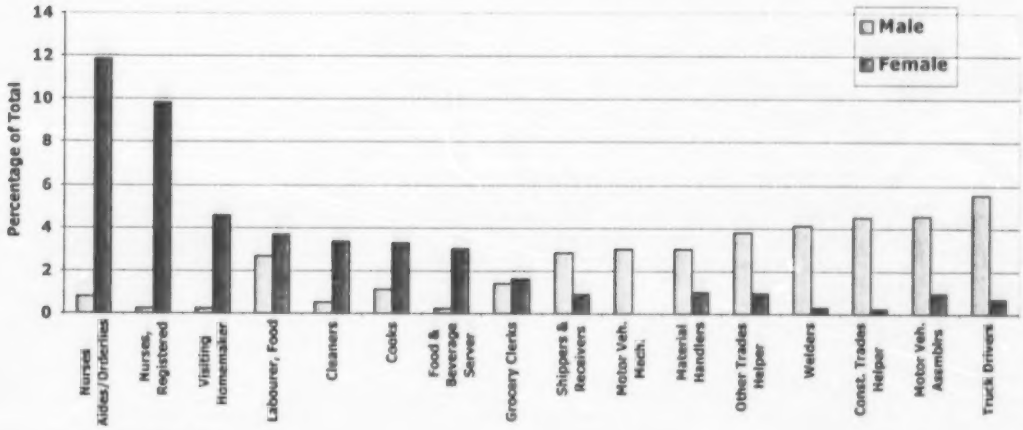
Source: WCB Data

The claim profile for young workers is different than for other age groups. Young workers, employed predominately in the service, trade and manufacturing industries, experience proportionately more injuries to their hands and eyes than more experienced workers.

Women's claims profile

As women have increased their participation in the workforce, so have their injuries increased. In 1960, women comprised 7% of the time loss claims, in 1976 this had increased to 12% and by 2000, 27% of time loss claims were filed by women. Claims profiles for men and women differ, reflecting

Proportion of Time Loss Claims by Occupation and Gender



Source: WCB data (1995 – 1999)

the different occupations of men and women.

Approximately 26% of all female claimants are employed in the nursing or Healthcare occupations. Male claims profiles do not exhibit such a high concentration in any one occupational category.

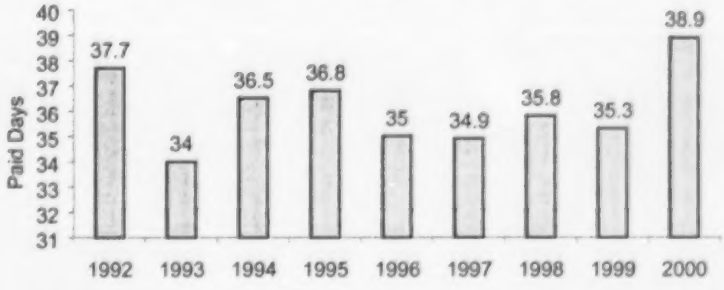
Claim duration in the healthcare sector, particularly for back injuries, is 10 days longer than most other industry sub-sectors. About 60% of the claims in healthcare have a back-related injury. This trend is led by the experience of women in nursing occupations, suggesting that injury prevention efforts for women should focus on the nursing and home-care occupations within the healthcare industry.

Disability Management Profile

One of the goals of reducing the impact of an injury is to return a worker to health and to work quickly. Duration of claims is a measure of the time it takes to return a worker to health and work. Duration of claims is measured in a variety of ways. Manitoba's composite measure of average duration fluctuated between 34 and 37.7 days over the 1992-1999 period. However, it increased in 2000 to 38.9 days.

A number of internal and external factors have been identified as contributing to the increase in duration in 2000. These include increased claims volumes, increase in the year-over-year number of prior year claims remaining open in 2000 and the impact of planning, staffing and training associated with the claims management reorganization. Other jurisdictions have also reported an increase in claims duration in recent years.

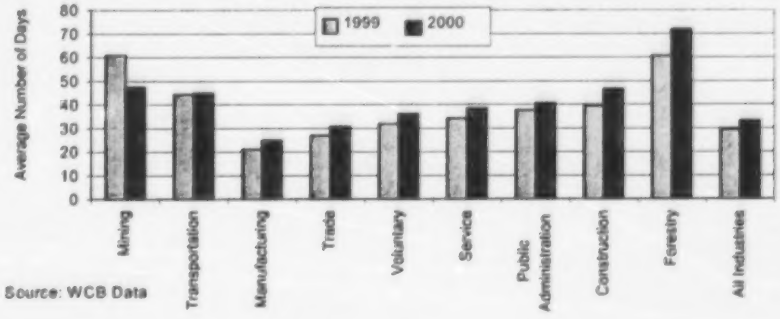
Average Composite Duration of Claims (Compensation)
All Years



Source: WCB Annual Reports; WCB Data

A number of factors other than the severity of injury and access to healthcare services, affect claim duration. These include occupation, age, gender, salary and marital status of the worker; and the industry, size and reemployment programs of the employer. Duration also varies by industry. Manufacturing has the shortest and forestry the longest average duration of claims. Mining is the only sector that experienced a drop in average claim duration in 2000. Some other factors influencing duration include season of the injury and by region of the province.

Average Number of Days Paid per Compensation Claim
1999 and 2000

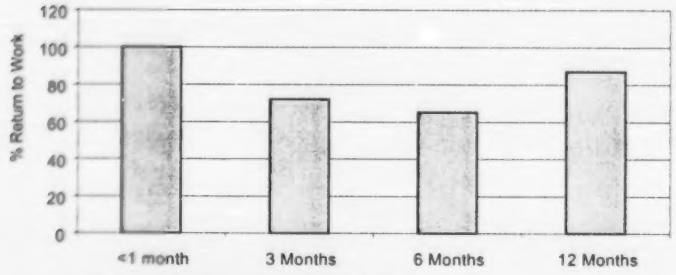


Source: WCB Data

Return to work

Most workers return to work, either to their pre-injury job or an alternate form of employment. Approximately 89% of workers return to some form of employment within a month of their claim file closure. However, this status is not sustained over time as the following chart illustrates.

Work Status of Claimants Who Were Employed at Time of File Closure (1999) Total = 287



Source: WCB Return-to-Work Follow-Up Survey

Of those workers who had returned to work at the time of file closure only 65% were still employed at 6 months, though by one year, this rate had risen back to 87%.

On the other hand, claimants who had not returned to work at the close of their claim file do return to work over time. For example, one year after file closure, 52% reported they were back at work.

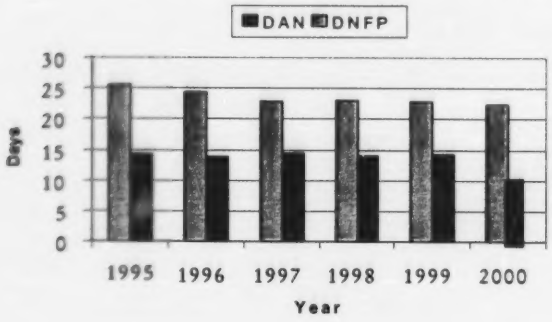
Work Status of Claimants Who Were Not Employed at Time of File Closure (1999) Total =28

Source: WCB Return-to-Work Follow-Up Study

Early notification

Days from accident to notification (DAN) and days from notification to first pay (DNFP) are used as performance measures for quality of service by all Canadian compensation boards. Earlier notification allows for earlier intervention by the WCB and other partners. As well, early and accurate reporting and acceptance of claims allows employers to manage workplace risk better. Time delays lead to backlog of claims and anxiety of claimants awaiting adjudication. Reducing the days to notification and acceptance of claims can reduce the impact of workplace injury and disease.

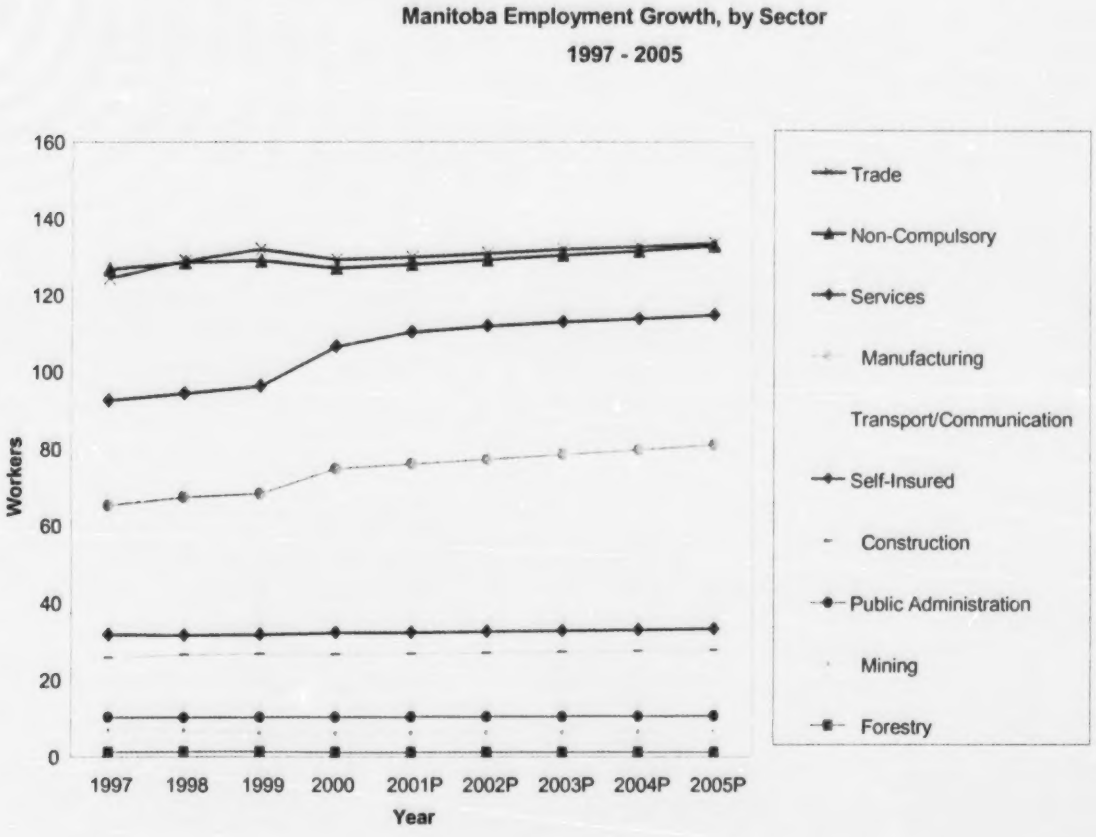
Days to Notification and Days from Notification to First Pay



DAN and DNFP have been improving since 1995. There was a 10% reduction in days from accident to notification in 2000. Improvements seen in 2000 were due predominately to the new streamlined reporting procedures for healthcare professionals implemented in 2000.

Changing Workforce

Employment growth projections
The employed workforce in Manitoba is projected to increase by 5.5% over the next 5 years but this employment growth is expect to vary by industry.



Industries not required by law to obtain WCB coverage (non-compulsory sector) employ among the largest proportion of Manitoba's labour force. The size of the workforce in this non-compulsory segment is expected to increase at a faster rate than in many of the compulsory sector industries. Manitoba presently has one of the lowest proportions of the covered workforce at 70%. This anticipated labour force trend towards an increase in non-compulsory sector employment suggests that the proportion of the covered workforce could decrease further.

The greatest degree of employment growth over the next five years is expected in the manufacturing industry, followed by services (primarily the healthcare, hotels and restaurants sectors). Time loss claim rates for manufacturing are the highest in the province and have been increasing.

Since manufacturing has the highest time loss claim rate and generates the highest proportion of claims, employment growth in this sector is expected to result in more reported and accepted claims. If this rate trend is not reversed, Manitoba's overall time loss claim rate is likely to deteriorate over time.

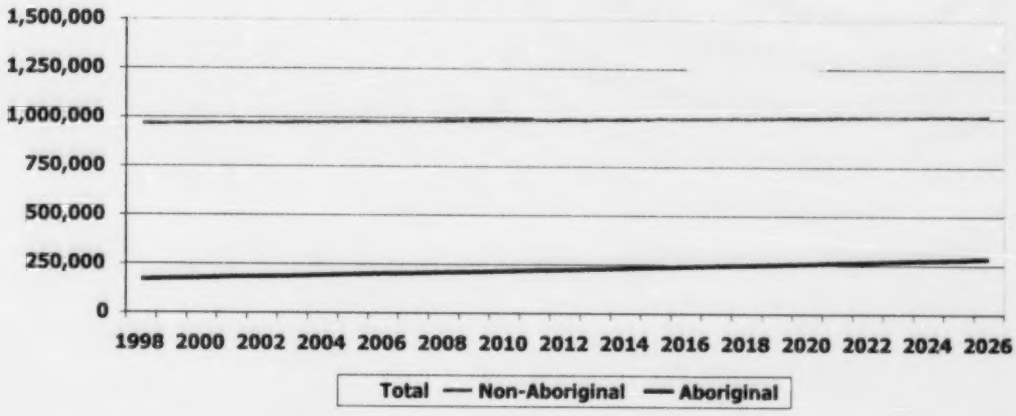
Changing employment relations
For the past several decades, a major trend in employment growth has been the increase in part-time employment and self-employed workers. Some employers are increasing the use of contingency and contract workers. There is also a growing use of off-site workers.

As the number of self-employed workers running their own business increases, the proportion of workers compulsorily covered by the Act is expected to decline. The assessment base would consequently become, proportionately, a smaller component of the whole economy. The increase in part-time employment may create difficulties in re-employing individuals who wish full-time employment only and working off-site increases the difficulty of determining whether an injury occurred on the job.

Changing demographics
Manitoba's workforce is expected to remain diverse. Changing immigration patterns will result in a changing ethnic mix of WCB claimants and employers. For example, in 1961, 90% of immigrants to Manitoba were European-born. By 1996, the increasing influx of immigrants from Asia and other non-European areas had reduced this number to about 55%. While the WCB has a history of dealing with individuals in their first languages, the WCB will have to refocus its efforts to include the languages and customs of recent immigrants to this province.

Employed aboriginal population expected to increase
Manitoba's Aboriginal population is expected to increase 29.1% over the next 10 years. By 2026, registered and non-registered aboriginals might account for 22-25% of Manitoba's population. The Aboriginal population in Manitoba is younger than non-aboriginal population. As a result, it is projected that one in four new entrants into the labour force by 2026 will be aboriginal.

Manitoba Population Projections, 1998-2026



This influx of entrants may pose a challenge for the WCB. Aboriginals are over-represented in some higher risk industries and occupations such as construction and healthcare. The current education, employment, and health status of aboriginals is often lower than for non-aboriginals. Such factors are associated with longer claims duration and may pose barriers to re-employment efforts.

With the expected increases in claimants of Aboriginal origin, there could be increased requests for non-standard healthcare services, such as the use of sweat lodges and other traditional Aboriginal healing methods. As well, there will be a growing need to increase the employment opportunities for aboriginals, along with other minorities and disabled, within the WCB.

Aging workforce

Manitoba's workforce is aging as the baby boom generation ages. The aging workforce is reflected in the distribution of WCB claimants. The average age of WCB claimants has increased from 33.5 years of age in 1988 to 36.5 years in 2000. The significance of an increasing older workforce is older workers take longer to recover from their injuries, experience more recurrences and experience a disproportionate number of fatalities and injuries with a permanent impairment compared to younger workers. As well, older workers have higher average salaries than younger workers, resulting in higher claims costs.

Average Duration and Claim Costs by Age
(1995 –1999)

Age Group	Duration (Days)	Avg. Cost (Dollars)
<20	14.5	605
20 - 24	19.6	905
25 - 34	30.6	1,577
35 - 44	40.5	2,058
45 - 54	47.8	2,430
55+	64.4	3,374

Consequently an aging workforce could result in increasing average claims duration and escalating benefit costs. However, this trend will be partly offset by the tendency for older workers to have fewer accidents than their younger counterparts. As the population ages, prevention and disability management efforts focused on older workers will provide dividends.

Small Employers

The vast majority of Manitoba employers are small businesses. Over 87% of Manitoba businesses employ fewer than 20 workers. Eighty-nine percent (89%) of firms registered with the WCB are small employers, employing 20% of the covered workforce. Most of the growth in firms occurs in businesses with fewer than 20 workers.

Small employers have more difficulty in accommodating impaired or recovering workers and fewer resources are available to implement injury prevention and disability management. Also, there is a greater proportion of smaller employers located in the rural and northern areas. Meaningful incentives and services for small employers to encourage risk and disability management may need to be considered to overcome barriers faced by them.

Healthcare Trends

WCB medical aid expenditures, like healthcare costs generally, have risen at a rate higher than average inflation costs due to technological improvements, professional costs and higher pharmaceutical usage. It is expected healthcare expenditures will continue to experience increases at a greater rate than inflation.

Healthcare cost restraints of the early 1990's have reduced healthcare workers' wages and fees, reduced hospital lengths of stays, have contributed to the shortage of key healthcare providers and increased queues for beds and high technology equipment.

Access to healthcare
Increased consumer knowledge of healthcare services is another new trend that has considerable potential impact on the healthcare system and on the WCB. The public is less willing to tolerate queues for elective services and diagnostic procedures

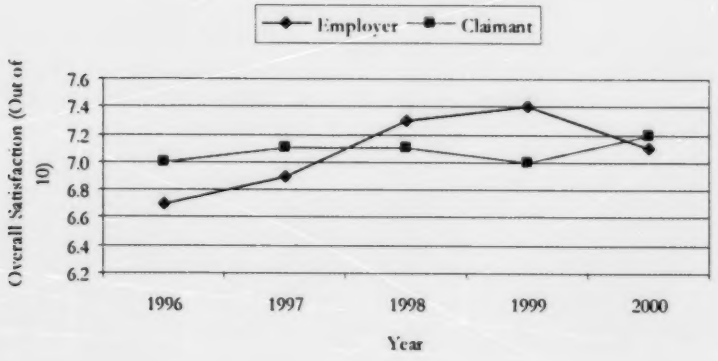
The new Federal-Provincial Agreement on Canadian Health and Social Transfer will infuse several million dollars into Manitoba's healthcare economy. This will likely improve access to some healthcare services.

Consumer pressure is increasing on healthcare providers to be more attentive to consumer needs and wants and to provide consistent high-quality care. While this should lead to better results and improve outcomes of WCB claimants, it will also likely cause acceleration in expenditures on health services and may increase lobbying by pressure groups for adding services and programs of marginal effectiveness.

Client Satisfaction

In spite of efforts to improve service delivery, client satisfaction with WCB services has remained relatively steady between 7.0 – 7.2 (out of 10) for workers and has increased from 6.7 in 1996 to a high of 7.4 in 1999 for employer. This suggests that additional improvements must come from new business processes and technology.

Overall Client Satisfaction, 1996 - 2000



Conclusion

Given the existing trend in injury rates, employment growth and demographics of the workforce, the WCB can expect over the next five years to experience:

- a rise in the percentage of the workforce that is not covered, as new businesses not covered by the Act enter the marketplace
- increased number of claims
- deterioration in overall time loss claim rate
- continued pressure on duration
- continued challenges around improved prevention & disability management efforts
- increasing medical aid costs
- pressure for improved healthcare access
- increasing client desire for improved services, especially with aboriginals and recent immigrants
- continued challenges for smaller firms
- pressure for regional services.

Overall this means that if action is not taken to reverse injury trends and manage the impact of the workforce trends, benefit costs will escalate, service will decline and assessment rates will need to be increased to keep pace with increasing costs.

WCB Strategic Initiatives

The WCB vision statement is supported by four pillars and corresponding goals over the next five years:

1. **Minimizing Risk – Where fewer workers become injured or ill.**
   - ensuring fewer workers experience a time loss injury or illness
   - significantly increase the number of workers protected by WCB coverage
2. **Minimizing Impact –Where people return to health and work sooner.**
   - enabling injured workers to return to health and work earlier
   - improving our sustainable return to work successes
3. **Improving Service – Where more customers say we provide superior service.**
   - finding out about accidents much sooner (down to 2 days from 10 days in 2000)
   - paying injured workers within 5 days from notification (from 22.7 days)
   - achieving over 80% satisfaction in our customer surveys of workers (up from 7.2%) and employers (up from 7.1%)
4. **Building Capacity for Change – Where we have the capacity to continuously improve.**
   - maintaining rates among the lowest in the country
   - utilizing technology for service innovation
   - providing excellent opportunities to our employees that impact both business and personal growth
   - keeping our administrative costs among the lowest in the country.

Minimizing risk — Where fewer workers become injured or ill

The most important contribution WCB can make in Manitoba is working with its partners to reduce the number of accidents in the workplace. The WCB must use the measures at its disposal to affect change in the workplace and reduce the number of injuries. The WCB will continue to work with the province's Workplace Safety and Health Division, workers, labour unions, employers and industry associations. There are several proactive measures the WCB can undertake to reverse the trend of an escalating injury rate.

Building safety incentives within the assessment rate model
An effective tool the WCB has is its rate model and pricing structure. Employers with good accident records will experience lower rates while higher accident employers will pay a significantly higher rate. Employers with fatalities will be particularly penalized. Even employers with low accident rates may experience higher rates if others in their industry category are not safety conscious. Already, employers are seeing their accident rates in new terms and asking why their accident history is different than others in their industry. The WCB plans to continue drawing employers' attention to the issue by looking at ways to build in further incentives for safety in the 2002 premium rates. Incentives to encourage employers to achieve occupational safety and health accreditation will be considered in 2001.

Developing Manitoba's risk management advisory capacity
Catching the attention of employers is only one part of the effort towards reducing risk, albeit an important part. Employers need resources and expertise available to assist them in their risk management efforts. Industry based resources need to be encouraged to develop and the WCB can assist stimulating the development of these resources. Over the next few years, the WCB will consider the development of industry based safety associations and safety consultants through policy and consultation. Efforts will also be focused on high-risk sectors to develop industry wide programs.

Focusing on high risk firms
The majority of injuries are occurring in a small number of large firms. Of the 23,400 registered firms with WCB, only 59 (0.3%) firms were responsible for 40% of all claims.

Percentage Of Claims Registered By Firms, 1999

Cumulative Number of Firms	Number of Claims Registered	Percentage of all Firms	Percentage of New Claims Registered
34	200 or more	0.15	33.2
59	100 or more	0.26	40.4
135	50 or more	0.59	51.4
261	25 or more	1.14	60.7
678	10 or more	2.95	74.3
1352	5 or more	5.89	84.0
5885	1 or more	25.63	100.0

In 2001 the WCB will be focusing on the 50 highest risk firms for risk management efforts. These employers will be encouraged to implement workplace injury reduction and disability management programs.

Educating employers, workers and the public on the risks of injury
The WCB, through its databases and analysis, has a wealth of information about workplace injuries—where they take place, the type of worker involved, even the nature of the injuries themselves—and that information has to be made available to assist with accident prevention initiatives.

The data continues to be analyzed and translated into forms where it can interpreted and understood by a wide variety of stakeholder groups. As part of the WCB vision, this data will be used to drive public education efforts to promote a healthier province.

Public education will be particularly geared to young workers as statistics show one in five of injuries involve people under 25. By educating young workers and their employers early in their career on how to avoid injury and reduce hazards, they will be safer and more productive members of society as they continue through their working lives.

Ensure more workers have access to workers compensation support
The WCB will also be looking at changes in coverage of industries to reduce gaps in similar industries. Currently, 70% of Manitoba workers are covered by The Workers Compensation Act, but a way of reducing risk and better protecting workers may be to bring more employers under the WCB umbrella.

Approximately one in six Manitoba workers do not have any type of disability insurance coverage. An uninsured worker, if injured, is at a financial disadvantage compared to an insured worker. A high percentage of uninsured workers may lead to strained healthcare resources and social services.

Also, uninsured injured workers do not show up in injury databases. Consequently, appropriate injury analysis and corrective measures necessary to prevent recurrences are difficult to conduct. Uninsured employers and workers do not have access to WCB education and awareness programs to assist in managing their risks.

Minimizing Risk Five Year Goals:

- *where fewer than 5% of all workers experience a time loss workplace illness or injury*
- *ensuring more workers have access to workers' compensation support (currently 70% of Manitoba workers are covered by the WCB)*

Minimizing impact — Where people return to health & work sooner

The WCB is looking at several ways of reducing the impact of injuries on workers, their families and their employers. It is recognized that a work injury or illness affects both the injured worker and employer. An extended period away from work can result in the deterioration of an injured or ill worker's skills and work habits, the ability to keep pace with changing technology and future earnings. An employer may be forced to replace an injured worker to ensure the firm's production continuity. Employers face additional costs with prolonged absences from work through additional insurance premiums, direct rehabilitation costs or retraining new workers.

Promote "best practices" in workplace disability management
The likelihood of an injured worker returning to health and employment after a work-related injury is influenced by a complex interrelation of factors. The WCB intends to take its knowledge about accidents, injuries and rehabilitation and assist employers, workers and healthcare providers to restore injured workers to a productive working life as soon as medically possible.

Initiatives will be undertaken to encourage workplace disability management programs. Returning to work must be viewed as part of the rehabilitation process. Employers will be educated about the advantages of disability management programs and encouraged to assist recovering workers in reemployment.

Promote case management and industry sector focus
The promotion of workplace disability management initiatives works best within a claims management model. Late last year, the WCB implemented a claims management model along industry sectors. The new system involves WCB staff working as a team to deal with the needs of the injured workers and their employer. Claims management provides a single point of contact for injured workers and their employers. The claims management team is assigned to a specific industry sector. They are knowledgeable about the industry, the hazards and common injuries within the industry as well as the firms and employers. Claims management will increase the effectiveness of WCB intervention and speed the worker's recovery and return to work. In 2001, the WCB will focus on improving its interaction and communication with employers, workers and their unions. Claims management and industry sector focus is expected to have an overall impact on the board's operations by improving average claim duration and therefore claims costs.

Establish a healthcare strategy to impact timeliness and effectiveness of health services
The WCB recognizes that a crucial part of the rehabilitation process of an injured worker is prompt and appropriate healthcare. The WCB will be examining new ways to organize and improve the quality of and access to care which will help workers recover more quickly. Successful partnerships with healthcare providers ensure the availability of high quality, fairly priced services. A consultative and sustained partnership with providers also promotes optimal access during times of scarce resources.

Within the next year the WCB will begin to develop an integrated healthcare strategy. A healthcare strategy provides the framework for planning, implementing and managing healthcare service delivery for injured workers. Various initiatives such as care models, utilization reviews, clinical guidelines and quality control measures will all be considered. The principles of the comprehensive healthcare plan will include:

- providing the right healthcare at the right time
- ensuring timely access to services

- investing in quality
- facilitating partnerships
- collaborating with professional associations
- improving outcomes for user satisfaction, return to work fitness indicators and claims costs.

It will be important for the WCB to build upon its strengths and competencies. A critical component of the development of a healthcare strategy will be to use the experience and willingness of others to contribute to the process. Healthcare providers, employers, workers, labour and other stakeholders will all be consulted, since their involvement will be crucial to the successful development and implementation of a comprehensive healthcare strategy.

Reducing the impact of injuries

Last year the WCB made significant movement toward reducing the impact on those severely injured. Several policies were developed or modified to ensure WCB services and benefits were fair, lessened the negative impact of the injury on the worker, facilitated timely return to work and increased the administrations flexibility to address the individual circumstances of the clients. More policies will be modified and developed to ensure workers and employers receive fair and timely service and benefits. The policies under consideration include:

- Permanent Impairment Rating Schedule
- penalties for late reporting and claims suppression
- post-accident earnings

Minimizing Impact - Return to Health and Work Sooner Five Year Goals:

- *enabling injured workers return to health and work earlier*
- *improving our sustainable return to work successes*

Improving service — Where more customers say we provide superior service

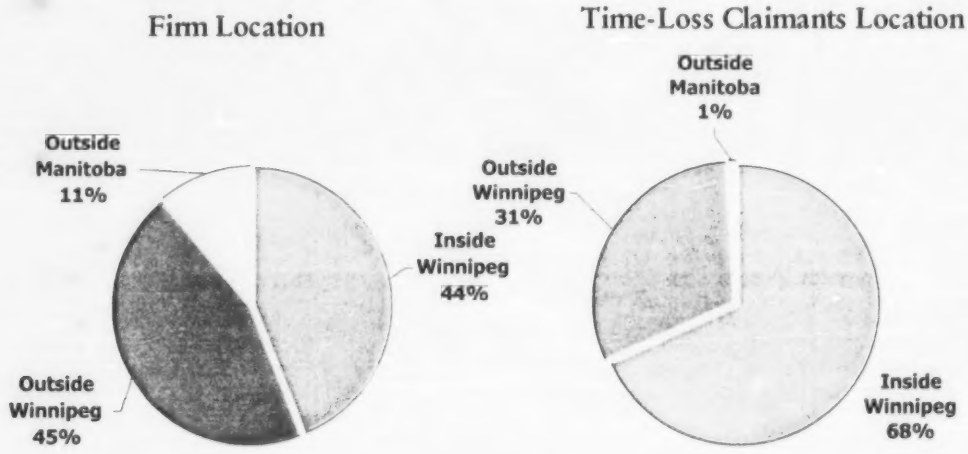
The WCB plays a vital role for injured workers and employers. For several years the WCB has set itself the goal of providing superior service to its clients. With client satisfaction ratings remaining fairly level over the past three years, the board must develop new processes to support its commitment to superior service and keep pace with the evolving business community.

Some of those processes involve using Information Technology rather than people to move information in order to allow staff to spend their time delivering direct services to clients. The WCB will be developing and implementing a plan over the next three to five years which will allow technology and improved business processes to drive better service throughout the organization and therefore to our clients.

Introduce telephone reporting services and on-line claims reporting
Advances in technology provide new opportunities to reduce reporting times. Earlier reporting of the accident allows WCB to intervene more promptly and have the worker begin rehabilitation and return to health earlier. The WCB has implemented a new reporting process to accomplish this by receiving injury reports from healthcare providers by fax, rather than by mail. Other initiatives are being developed to speed reporting a claim. In 2001 workers will be able to report their claim by telephone and in the fall employers will be able to file their claim reports electronically. This will have a significant impact for rural workers and employers.

Begin implementation of regional service strategy
Many WCB clients are located outside of Winnipeg. Workers and employers in different geographic areas of Manitoba have different needs when it come to service provided by the WCB. Analysis shows different regions have differing types of industries, differing lengths of time on rehabilitation, differing proportions of industries and even different patterns of reporting accidents.

The WCB will look at several options to enhance its delivery of service in all regions of the province.



Stakeholders will be consulted as the WCB continues to examine service options.

Monitor growth in claims and ready the organization to maintain service levels
Reported time loss claims grew by 8.3% in 2000 over 1999. This placed significant pressure on the organization to maintain service levels. With the anticipated growth in high-risk industries over the next 5 years, further growth in reported claims reporting is expected. The impact this anticipated growth will have on service delivery will be monitored over the next few years, and necessary changes to the organization will be assessed. The goal is to ensure service levels are maintained.

Improving Service Five Year Goals

- *finding out about accidents within 2 days (from 10 days)*
- *paying injured workers within 5 days from notification (from 22.7 days)*
- *scoring over 80% satisfaction in our customer surveys of workers (up from 70% in 2000) and employers (up from 74% in 2000)*

Building capacity for change — Where we have the capacity to continuously improve

The WCB must continue to develop capacity to change and adjust to current and future needs. The WCB's capacity to change and to evolve to effectively meet future challenges is paramount to its success and its ability to protect and support workers and service the needs of employers. It also means evolving the culture of the entire organization to ensure the staff is properly motivated, rewarded and empowered to provide the best possible service to their clients.

The finances of the corporation are a core capacity. Manitoba WCB continues to have among the lowest average assessment rates and a better than average funding ratio. While the WCB has strong reserves and is in a stronger financial position than it was five years ago, that doesn't mean it isn't being challenged by the rise in accidents and by the Canada-wide phenomenon of growing duration. The corporation must remain vigilant of its financial position to ensure it is still here to protect Manitobans in another 80 years.

Enhance revenue through new employers and higher investment returns
The WCB must use investments to generate more revenue because every dollar gained from the investment portfolio is a dollar the WCB doesn't have to collect from an employer. While investment strategies have been reasonable and prudent, and in keeping with the board's value-oriented investment strategy, improvements in investment returns can still be achieved. The WCB has begun to restructure and renew its investments. The board is also examining the most economic and effective means to manage and to monitor its investments.

Save costs through negotiated arrangements
To ensure the WCB achieves the best value for its expenditure, the WCB has been taking a closer look at program expenditures to see where there are opportunities for negotiated cost reductions. Effective for 2001, the WCB obtained wholesale pricing for hearing aids, which is expected to result in savings of approximately $1 million annually. In 2001, the WCB will be examining a drug purchase program where the WCB pays the pharmacy directly for authorized prescriptions required by recovering workers. This program will be a service enhancement to injured workers, as claimants will not have to pay for the prescriptions and await reimbursement from the WCB. The WCB will continue to examine other areas for cost savings without jeopardizing the services provided to injured workers.

Continue to redesign business processes and enhance technology
Technology and new applications provide many opportunities to enhance service and improve capacity for change. One of WCB's objectives is to redesign our business processes to achieve dramatic improvements in cost, quality, service and speed. This may mean abandoning long-established procedures and re-evaluating the work required to deliver service and value to WCB clients. To support this objective, the board has budgeted a five-year staged business process and technology plan to help increase capacity. We have begun to re-examine our business processes, starting with the process of how we receive and register claims. The next priorities will be redesigning and implementing firm registration and how we adjudicate and pay claims.
We will continue to build and improve the information technology infrastructure because technology has the potential of being one of the most significant enablers of change at the WCB. Considerable gains can be achieved with the implementation of new technology to support and speed services and to make it easier for workers and employers to interact with us. The ability of our customers and suppliers to conduct business with the WCB electronically and the potential of partnering with other service providers will also be critical to the success of the organization.

Over the next five years, technology initiatives will remain focussed on our three key themes: improved management practices, future technology directions, and alignment with business priorities. Change does not stop and the WCB must continue to use technology as a cost-effective vehicle to enable business change and accelerate service improvements.

Improve key human resources processes and development of staff

The human resource is the most important component of the capacity for change. The corporation intends to continue to support its people, as it has done in the past, through training and other opportunities to ensure staff have the skill sets needed to provide service. Within the next three years the WCB, in consultation with its union, will be reviewing its staffing and job classification processes to ensure the WCB has highly skilled staff to meet future business challenges. Staff will continue to be involved in the development of policies and projects and, as a result, ensure policies and programs are tailored to better suit the needs of the client.

Building Capacity to Change Five Year Goals

- *maintaining rates amongst the lowest in the country*
- *utilizing technology for service innovation*
- *providing excellent opportunities to our employees that impact both business and personal growth*
- *keeping our administrative costs amongst the lowest in the country*

Measuring Progress

The board has established internal corporate measures to reflect its operations and progress made on the strategic initiatives. By communicating the results of these measurements as well as the desired outcomes, the board will work to improve its delivery of service and client satisfaction.

The corporate measures are modeled along the four key goals of minimizing risk, minimizing impact, improving service and building capacity for change.

The measures include overall client satisfaction, staff morale, operational statistics such as the number of accidents, reporting time as well as financial results. These factors, when put together in a balanced way and properly analyzed, will paint a picture of how well the board is operating and dealing with its clients. That picture will be used to set future goals and expected outcomes to improve the overall performance of the board and the service it provides to Manitobans.

Conclusion

The next few years will provide significant challenges for the Workers Compensation Board, but they will provide opportunities as well.

The board must work to overcome the challenges, such as finding new and effective ways to deliver education and other accident prevention methods. Only by preventing accidents and reducing risks will the board be able to address the pain faced by injured workers and their families by the increasing number of claims and their increasing costs.

Addressing those issues will also allow the board to better protect employers by keeping rates low and also ensure the ongoing viability of the organization. Challenges also exist in maximizing the returns generated by the WCB's investments in what appears to be a volatile investment markets.

The board must also look to opportunities provided by technology and other emerging advancements which will help injured workers return to health and work sooner and also allow the board to provide greater protection for workers and a greater level of service and efficiency.

The board has continued to provide an important service to workers, employers and all Manitobans since its inception 80 years ago. It has done that by examining its programs, activities and services and ensuring they are what Manitobans need and want. It has grown with the province and changed when required.

Over the next few years the WCB will focus on it prime mission – the protection of workers in Manitoba. The WCB must continue to work with its partners and remain innovative in its approaches to fulfilling this mandate.

Budgeted and Projected Financial Statements 2001 to 2005

Key assumptions

These are the key assumptions, as at February 15, 2001, used in developing the 2001 budgeted financial statements and the financial statement projections for the years 2002 to 2005.

General assumptions

1) Employment growth is expected to be 1.3% in 2001 and will range between 1.0% and 1.3% per annum thereafter. (Based on models developed by Manitoba Bureau of Statistics (MBS).)

2) The Average Weekly Wage (AWW) is assumed to increase by 3% per annum (MBS).

3) Inflation (CPI) is assumed to be 2.0% in 2001, declining to 1.5% in 2005 (MBS).

Premium assumptions

1) Assessable payrolls are assumed to increase by 3.5% per year as a result of employment growth and higher wages.

2) The average assessment rate is assumed to be unchanged at $1.49 per $100 of assessable payroll.

Investment income assumptions

1) Investment income for 2001 to 2005 is based on the following expected total rates of return (income plus market growth):

Canadian equities	8.5%
U.S. equities	7.0%
International equities	5.5%
Canadian bonds	7.0%
Other investments	4.5% to 10.0%
Weighted average	7.0%

2) Investment expenses will be relatively unchanged from 2000 at approximately $3.7 million.

3) The board requires a large portion of its investment income to fund its ongoing operations. The balance of its investment income, ranging from a high of $17.5 million in 2001 to a low of $3.0 million in 2005, will be reinvested in the investment portfolio. In addition, as a result of a modification to the policy on lump sum settlements, it is expected that there will be a $14 million redemption in 2001 to fund pension settlements.

Benefit assumptions

1) The Five Year Plan is based on existing legislation. Any changes to The Workers Compensation Act for claimant benefits or covered industries will be dealt with as budget amendments as they arise.

2) The budget and projections are based on existing administrative policies, which include amendments to 13 administrative policy areas as approved by the Board of Directors during 2000.

3) Plans for expansion of coverage have not yet been finalized and the impact is not included in the revenue or program expense budgets.

4) As a result of the Receive and Register Claims project, service improvements are expected to result in an increase of approximately 900 reported accidents in each of 2001 and 2002, returning to normal levels in 2003.

   This initiative is also expected to increase public awareness about their rights to avail themselves of the WCB's services. It is expected this will increase claims levels by 1% beginning in the year 2001.

5) It is assumed the time loss claim rate will increase from a forecast of 5.4% in 2000 to 5.5% in 2001 and then decrease to 5.2% by 2005.

6) As a result of the various aforementioned assumptions, claims in pay are expected to increase (decrease) by 6.0% in 2001; (0.4%) in 2002; (1.6%) in 2003; (0.4%) in 2004; and 0.4% in 2005.

7) Duration for compensation wage loss (all classes, consolidated) was 32.9 days in 2000. It is assumed 2001 duration will be decrease by one day to 31.9 days. Duration is then expected to decrease by 1 day per year in 2002 and 2003, remaining unchanged thereafter at 29.9 days in 2004 and 2005.

8) The Future Cost Model is based in part on the proportion of current year/prior year claims in pay. The 2001 budget and the projections for 2002 to 2005 assume that the proportions will gradually change, based on the duration reductions.

9) Wage loss compensation is based on the injured worker's net pay after income taxes. Federal and provincial government budgets and announcements indicate that income taxes will significantly decrease over the next five years, resulting in higher compensation wage loss payments to claimants. This has been reflected in the budget and projections.

10) Medical aid costs are based on contractual arrangements in place at the end of 2000. Potential savings from preferred provider arrangements presently under negotiation are included in the budgets. Year over year increases in expenses are based on the expected increases in the number of claims and inflationary increases of CPI plus 2% per annum.

11) As a result of an amended policy on lump sum settlements, the board has initiated a project to convert small dollar monthly pensions to a lump sum settlement. During 2001 it is expected that $15 million of pension liabilities will be settled for payments totaling $14 million. The gain on settlement is recorded in 2001 claim costs incurred.

Operating expense assumptions

1) Total staff complement will remain unchanged during 2001. The caseload in Case Management and Short Term Claims is assumed to increase from the active 140 per staff in 2000 (versus 125 cases budgeted) to 148 in 2001.

2) Operating expenses are assumed to be unchanged from 2000 levels, with the exception of increases in negotiated salary costs, capital amortization and Workplace Safety & Health levies.

3) The operating expense consequences of legislative reform, if any, are not included in these budgets.

4) A salary vacancy credit of 2.5% is included in the 2001 administration expense budget as the board is anticipated to maintain an average staffing level of 97.5% of its positions.

5) The board is exploring alternatives for the provision of regional services in northern Manitoba. As plans are not yet finalized, the budget does not contain any expenses for regionalization.

6) Capital expenditures are budgeted to be $5.0 million in 2001 being comprised of $4.1 million in new capital projects budgeted for 2001 and $0.9 million to complete multi-year projects begun in prior years. Capital expenditures are projected to be $5.5 million per year thereafter, broken down as $5 million for IT and $500,000 for other capital items.

7) Amortization charges are budgeted at $4.2 million in 2001, escalating to $5.3 million per annum by 2005.

8) As mandated by the provincial government, Workplace Safety & Health levies are expected to increase in 2001 by $250,000 over 2000 (a total of $1,000,000 over 1999). Further increases are not projected.

Risks

The 2001 budget and projections for 2002 to 2005 have been prepared using assumptions that are considered reasonable and probable. Actual results achieved for these five years will vary from the information presented and the variations may be material.

The three areas that have the greatest potential variation are investment revenue, time loss claim rate and duration.

i) Investment revenue is budgeted to be $60.9 million in 2001 and is expected to range from $50.2 million to $56.1 million from 2002 to 2005. While these revenue expectations are based on assumptions for rates of returns and cashflow that are viewed as reasonable, fluctuations will occur and these fluctuations can be significant. Given the board's reliance on investment revenue to stabilize assessment rates, large decreases in investment returns due to market declines during the next five years may result in increases in assessment rates.

ii) The time loss claim rate was 5.4% in 2000. The rate is assumed to increase to 5.5% in 2001 and then decrease to 5.2% by 2005. If the reduction in the time loss claim rate does not materialize and the rate stays at 5.5%, the projected program expenses and future costs components of claim costs incurred will increase by the following amounts:

	2001	2002	2003	2004	2005
Time loss claim rate revised assumption	5.5%	5.5%	5.5%	5.5%	5.5%
Program expense increases (annual)	-	$0.9M	$1.6M	$3.1M	$4.0M
Future costs increases (cumulative)	-	$2.2M	$3.7M	$7.1M	$8.8M

iii) Compensation wage loss duration (all classes, consolidated) was 32.9 days in 2000. Duration is budgeted to decrease by one day in 2001 and is projected to decrease by a further one day in each of 2002 and 2003. Duration will then remain at 29.9 days through 2004 and 2005. While this is an achievable assumption, if severity of accidents does not moderate, actual costs will be higher than the projections contained in the Five Year Plan. The impact of a failure to decrease duration from 32.9 days is as follows:

	2001	2002	2003	2004	2005
Duration revised assumption	32.9d	32.9d	32.9d	32.9d	32.9d
Program expense increases (annual)	$1.5M	$3.1M	$4.8M	$4.9M	$5.1M
Future costs increases (cumulative)	$3.2M	$9.5M	$16.8M	$17.2M	$18.0M

Workers Compensation Board
Balance Sheet (Unaudited)
As at December 31
(000's)

	2000 Actual	2001 Budget	2002 Projection	2003 Projection	2004 Projection	2005 Projection
ASSETS						
Cash	$1,500	($529)	$266	$812	$1,465	$1,178
Receivables	21,881	22,762	23,509	24,218	25,001	25,799
Investment portfolio	704,353	707,856	713,889	718,837	727,721	730,682
Deferred assessments	23,348	22,747	22,720	22,365	22,168	21,892
Capital assets	13,665	14,442	15,442	16,142	16,642	16,842
	$764,747	$767,278	$775,826	$782,374	$792,997	$796,393
LIABILITIES AND FUND BALANCES						
Payables and accrued liabilities	$12,080	$12,896	$13,083	$13,275	$13,474	$13,678
Benefit liabilities	675,084	676,428	684,995	690,610	704,268	718,760
Total liabilities	687,164	689,324	698,078	703,885	717,742	732,438
Rate stabilization fund balance	57,565	57,936	57,936	58,677	58,677	58,677
Accident fund balance	20,018	20,018	19,812	19,812	16,578	5,278
	$764,747	$767,278	$775,826	$782,374	$792,997	$796,393
Funding Ratio (AWCBC method)	102.7%	102.7%	102.6%	102.6%	102.1%	100.7%

The board's financial statement projections for 2001 to 2005 are shown on pages 33 to 36. These projections have been prepared based on the key assumptions shown on pages 29 to 31 and the board's accounting policies described in the Notes to Financial Statements in the 2000 Annual Report. Actual results achieved for these five years will vary from the information presented and the variations may be material.

Workers Compensation Board
Statement of Operations (Unaudited)
For the years ending December 31
(000's)

	2000 Actual	2001 Budget	2002 Projection	2003 Projection	2004 Projection	2005 Projection
REVENUE						
Premiums - Class E employers	$119,582	$123,500	$127,823	$132,296	$136,927	$141,719
Premiums - Self-insured employers	16,388	16,795	17,453	17,704	18,290	18,815
Total premium revenue	135,970	140,295	145,275	150,001	155,216	160,534
Investment revenue	70,357	60,909	53,971	51,686	56,122	50,199
Total revenue	206,327	201,204	199,246	201,687	211,338	210,733
EXPENSES						
Claim costs incurred	157,502	153,284	151,387	151,415	164,138	170,332
Operating expenses	44,907	46,949	48,039	49,176	50,238	51,426
Total expenses	202,409	200,233	199,425	200,591	214,376	221,758
Operating surplus(deficit) before deferred assessments	3,918	971	(179)	1,096	(3,038)	(11,024)
Decrease in deferred assessments	(3,457)	(601)	(27)	(355)	(197)	(276)
OPERATING SURPLUS (DEFICIT)	$461	$371	($206)	$741	($3,234)	($11,300)

Workers Compensation Board

Statement of Changes in Fund Balances (Unaudited)

For the years ending December 31

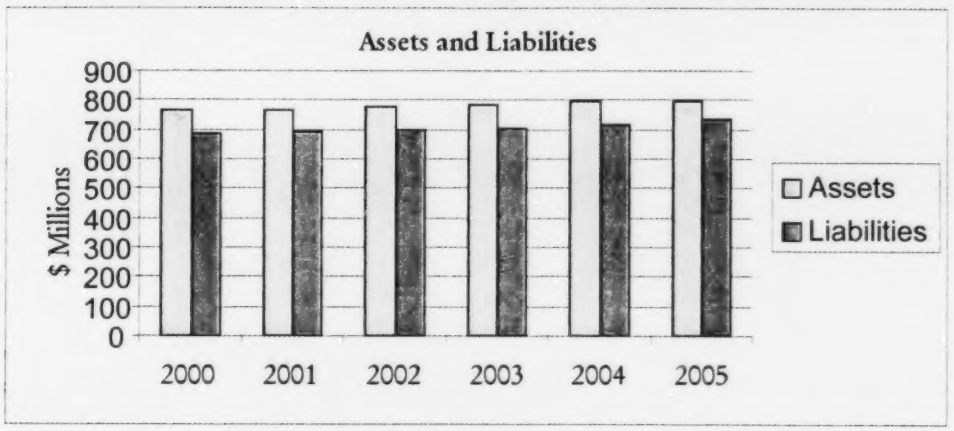
(000's)

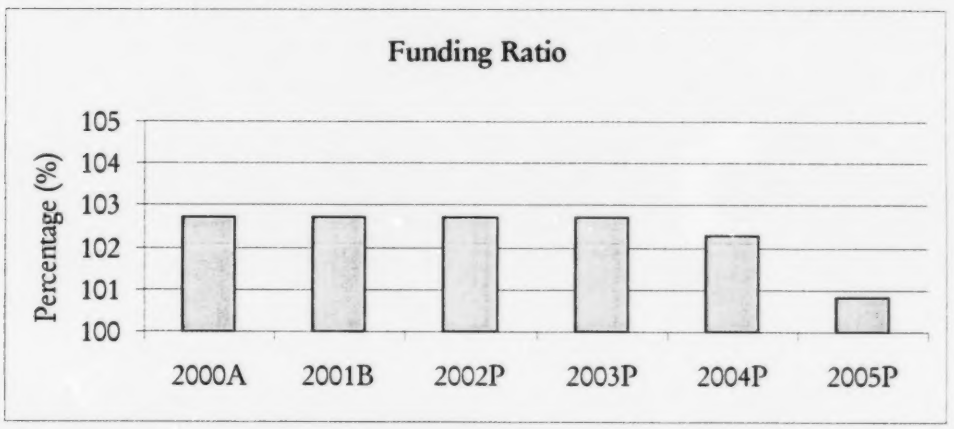
Rate Stabilization Fund Balance						
Balance at beginning of year	$57,104	$57,565	$57,936	$57,936	$58,677	$58,677
Allocation from operating surplus	461	371	0	741	0	0
Balance at end of year	$57,565	$57,936	$57,936	$58,677	$58,677	$58,677
Accident Fund Balance						
Balance at beginning of year	$20,018	$20,018	$20,018	$19,812	$19,812	$16,578
Allocation from operating surplus	0	0	(206)	0	(3,234)	(11,300)
Balance at end of year	$20,018	$20,018	$19,812	$19,812	$16,578	$5,278

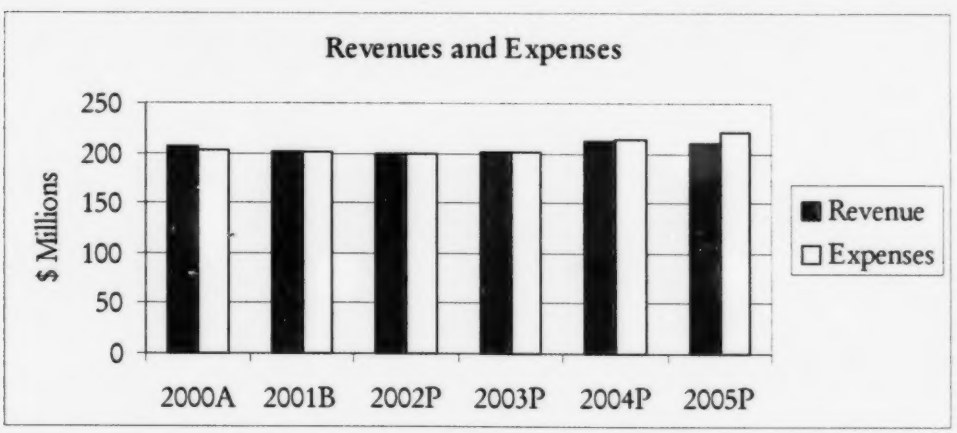
Workers Compensation Board
Statement of Cash Flows (Unaudited)
For the years ending December 31
(000's)

	2000 Actual	2001 Budget	2002 Projection	2003 Projection	2004 Projection	2005 Projection
OPERATING CASH FLOWS						
Premiums from employers	$135,199	$139,414	$144,528	$149,291	$154,434	$159,737
Payments to claimants or third parties on their behalf	(132,855)	(151,940)	(142,820)	(145,800)	(150,480)	(155,840)
Purchases of administrative goods and services	(42,134)	(41,909)	(43,352)	(44,183)	(45,039)	(45,922)
Net cash used by operating activities	(39,790)	(54,435)	(41,643)	(40,692)	(41,085)	(42,025)
INVESTING CASH FLOWS						
Proceeds from investment portfolio	46,061	57,406	47,938	46,738	47,236	47,238
Capital asset acquisitions, net of disposals	(3,561)	(5,000)	(5,500)	(5,500)	(5,500)	(5,500)
Net cash provided by investing activities	42,500	52,406	42,438	41,238	41,738	41,738
Net increase(decrease) in cash	2,710	(2,029)	795	546	653	(287)
Cash at beginning of year	(1,210)	1,500	(529)	266	812	1,465
Cash at end of year	$1,500	($529)	$266	$812	$1,465	$1,178

NOTE: Proceeds from investment portfolio includes the following categories: investment revenue, proceeds on disposal of investments and purchase of investments


Assets and Liabilities
900
800
700
600
500
400
300
200
100
0
$ Millions
2000
2001
2002
2003
2004
2005
Assets
Liabilities


Funding Ratio
105
104
103
102
101
100
Percentage (%)
2000A
2001B
2002P
2003P
2004P
2005P


Revenues and Expenses
250
200
150
100
50
0
$ Millions
2000A
2001B
2002P
2003P
2004P
2005P
Revenue
Expenses